

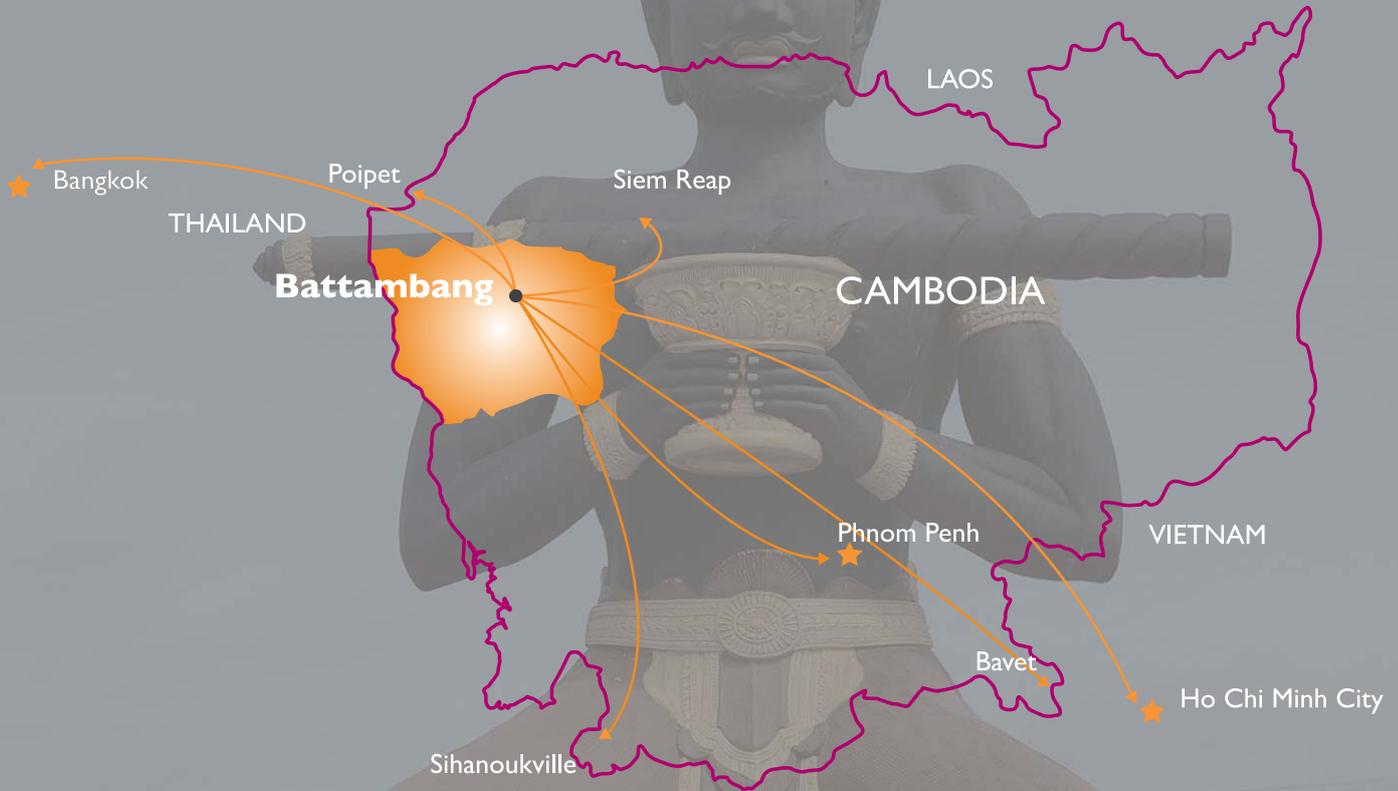
BATTAMBANG PROVINCE

INVESTMENT PROFILE

JANUARY 2010



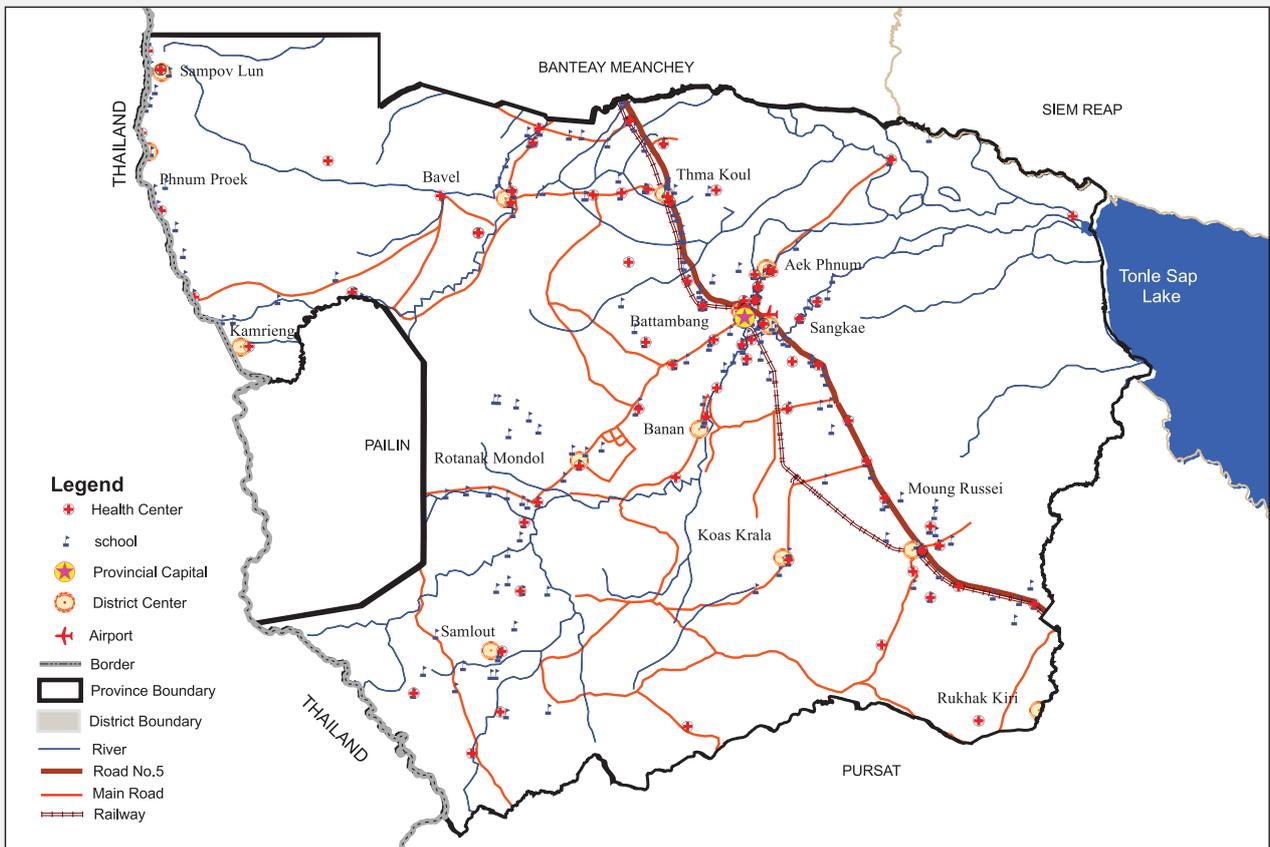
USAID
FROM THE AMERICAN PEOPLE



BATTAMBANG

The Bustling Capital of the North-West





DISCLAIMER

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development (USAID) or the United States Government.

WELCOME TO BATTAMBANG

↑ ភ្នំសំពៅ
Sampov Mountain

↑ កំពិចព្រួស
Kamping Pouy

5 5m

↑ ក្រុងប៉ៃលិន
Pailin

↑ ក្រុងកម្ពុជាកោល
Thmor Kol District

↑ ខេត្តបន្ទាយមានជ័យ
Banteay Meanchey

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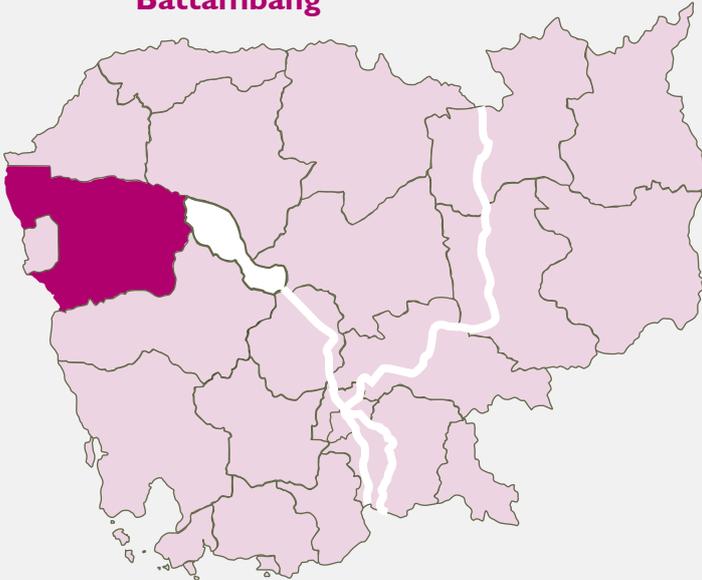
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This Investment Profile was produced by Emerging Markets Consulting (EMC) for the USAID Cambodia MSME project implemented by DAI.



Battambang



Greetings from His Excellency the Governor

January 2010

On behalf of Battambang's provincial administration, I am very honored and happy to warmly welcome all Excellencies, ladies and gentlemen who are interested in learning about the potential of Battambang, especially investment opportunities and other socio-economic activities.

I would like to give special thanks to the United States Agency for International Development (USAID), the funder of the Cambodia Micro, Small and Medium Enterprise (Cambodia MSME) Project, who has initiated and sponsored the publishing of this Battambang Provincial Investment Profile.

This Profile explains the general characteristics of the province and also contains key data and relevant information that is useful for researching investment opportunities; and it can form a foundation for business interaction. Based on the good cooperation and willingness of each level of our administration and the people of Battambang, we warmly welcome and encourage all potential investors. We are ready to cooperate and do all that we can to help initiate investment plans and the development of any sectors in Battambang to enhance our economy and society, and boost development with sustainability, progress and prosperity to reduce poverty, in accordance with the Rectangular Strategy of the Royal Government of Cambodia.

We look forward to welcoming all ideas and comments. For more information please visit the home page of the Battambang provincial hall: www.battambang.gov.kh, or contact:

Tel/Fax: (+855) 53 952 141

email: btbgovernor@camnet.com.kh, or monyveung@yahoo.com.

Sincerely,

H.E. Prach Chann
Governor, Province of Battambang



National Strengths

Over the last decade, Cambodia has emerged as a vibrant and robust regional player with many of the underlying attributes necessary for successful business development and growth.

Open for Business

- Low corporate taxes – 20% tax on corporate profits (5 years carry forward of losses).
- No foreign ownership restrictions.
- Ranked ahead of China, India, Vietnam and Indonesia for economic freedom.¹
- Equal treatment of all investors.
- Ranked ahead of ahead of Philippines, China and Vietnam for protecting investors.²
- No price controls on any products or services.
- No foreign exchange controls or restrictions on convertibility.
- No restriction on capital repatriation.
- The first low income country to join the WTO.
- No quantitative trade restrictions; falling tariff barriers. Cambodia has duty-free and quota access to major world markets (such as the United States, European Union, Japan and many ASEAN members).
- Provincial governments have authority to approve investments under US\$2 million to fast-track business development start-up.

“Cambodia is fully open for business and the Royal Government of Cambodia will try its best to guarantee a favorable environment and the success of every enterprise in Cambodia.”

- H.E. Samdech Hun Sen, Prime Minister of Cambodia

Inexpensive & Productive Labor

Compared to many regional competitors, Cambodia enjoys competitive wage rates and good labor productivity, making it an attractive destination for labor-intensive industry.

Over recent years, Cambodia’s labor force has grown by over 50%, more than double the rate in any other ASEAN country.³ And with a very young population (half are under 20), this labor force growth will continue.

Labor cost in the garment industry (2008)

Country	US\$/hr, inc. social charges
Thailand	1.29-1.36
Malaysia	1.18
China, prime	1.08
China, coastal	0.86-0.94
China, remote	0.55-0.80
Indonesia	0.44
Vietnam	0.38
Cambodia	0.33

Source: Jassin-O'Rourke Group, Global Apparel Manufacturing Labor Cost Analysis 2008.

“Like China and India in earlier periods, Cambodia has been identified as a location with a promising future for manufacturing investment, primarily due to the wide availability of low-cost labour and its falling country risk premium ... it also benefits from relative proximity to the West Coast of the US.”

- PriceWaterhouseCoopers.

Strategic Regional Location

Cambodia is ideally located in the heart of the most dynamic region in the world. Nestled between Thailand and Vietnam, Cambodia is part of the Greater Mekong Sub-Region’s Southern Economic Corridor stretching from Ho Chi Minh City to Bangkok. Given its strategic position, Cambodia has enjoyed significant international support in building its transport infrastructure to facilitate trade within the country and with its neighbors. As a result, trade with Vietnam and Thailand is growing rapidly.



“You’ve got two of the biggest cities in Asia on either side of you. You’ve got 15 million people in Bangkok and 8 million people in Ho Chi Minh City, and things are increasingly happening between the two.”

- Edward Hopkins, CB Richard Ellis Group Inc.

1. Heritage Foundation, 2009 Index of Economic Freedom. <http://www.heritage.org/index/>

2. World Bank, Doing Business 2009. <http://www.doingbusiness.org/>

3. ILO, ‘Labour and Social Trends in ASEAN 2007 - Integration, Challenges and Opportunities’, 2007.



Why Battambang?

1. Location – the capital of the north-west

Battambang is located in a highly fertile region situated on the Tonle Sap Lake. Its shared border with Thailand provides efficient access to a large market for the province's agricultural products and is also a source of reliable electricity. Four of our province's 13 districts border Thailand.

The province has excellent transport infrastructure and is a trade and transportation hub, sitting on the overland route between Thailand and Phnom Penh and onward to Vietnam. Battambang also serves as the business capital of the north-western part of the country.

Cambodia - Battambang Province Travel Time by Road from Provincial Capital



Road Network

Battambang capital is only 1.5 hours drive from the Thai border and a five-hour drive from Phnom Penh.

Battambang is served by three national roads, running for over 220km (around 5% of Cambodia's total).

Road conditions throughout the province have improved significantly in recent years and local businesses report reductions in transport times and costs of up to 50%. National Road #5 runs from Phnom Penh to Battambang. After 130km of this road was rehabilitated, the Asian Development Bank reported an increase in traffic of 247%, with a 35% reduction in average vehicle operating costs.

Trade with Thailand is supported by 4 border points (1 international and 3 regional).

In addition, Battambang sits on the key routes on National Roads #5 and #57 to the international border checkpoints at Poipet and Pailin. The road to Pailin, among others, is being

upgraded (at a cost of \$40 million) and will be completed in 2011. Combined with a new 92-metre bridge on the outskirts of Battambang town, this upgrade will further reduce travel times and costs.

Our more remote areas are also well-served by road. Outside of the urban provinces of Phnom Penh and Kandal, Battambang's villages have the lowest average distance to a year-round road in Cambodia (54km).

Rail

The Royal Government of Cambodia has begun work to upgrade the railway line from Phnom Penh, via Battambang and Sisophon, to Poipet on the Thai border. This will further improve transportation and trade between Battambang and Thailand, as well as Phnom Penh.

River

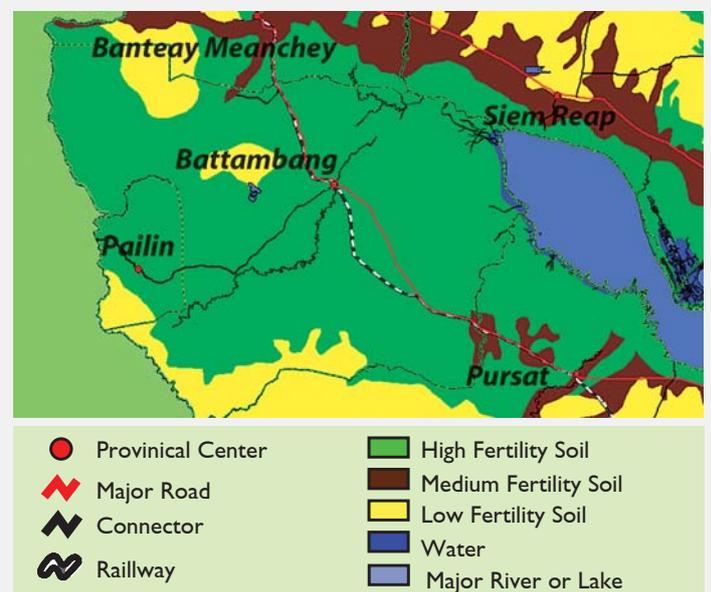
Battambang town sits on the Sangke river, which flows from the Cardamom mountains to the Tonle Sap Lake. Ideal for travel and transport, the river has long been a key element of the town's identity and transportation system. Boat travel between Siem Reap and Battambang (150km) is popular with foreign tourists and is "probably the most scenic river trip in the country."⁴

2. Cambodia's Most Fertile Soil

Accounting for approximately 6.5% of Cambodia's land total, Battambang is classified as a mid-sized province.

A combination of good rainfall, annual flooding and investment in irrigation systems ensures that Battambang's soils support a very strong agricultural sector.

Battambang's high soil fertility



Source: Cambodia Atlas, Danida

4. Lonely Planet.



The whole of Battambang province boasts some of the most fertile soil in Cambodia - not only the lacustrine alluvial soils in regions closer to Tonle Sap Lake, but also brown hydromorphic and other soils through the rest of the province.

Three major dams and other water sources ensure that 20% of the province's land area is served by irrigation systems.

As a result, the province is Cambodia's rice bowl – Battambang accounts for over 10% of Cambodia's wet season rice crop production (around 670,000 tonnes) and is the country's largest commercial miller of rice (362,000 tonnes). A new \$7 million rice-drying machine in the province can dry 30 tonnes of rice per hour, significantly improving the province's rice processing capacity.

However, our agricultural output is far more diverse than just rice. We are famous for our sweet oranges; we are the largest producer of corn in Cambodia (accounting for over half of the annual crop); and we also grow significant quantities of soy bean, green bean, cassava, peanut, and fruits (including mango, jack fruit, banana and pineapple). Some cassava farmers in the province report yields of 40 tonnes per hectare. Approximately two-thirds of our provincial output is exported to nearby Thailand. Cotton grown in Battambang is exported to China.

Battambang's main crops, 2008-09

Crop	Production ('000 tonnes)	Proportion of national total (%)
Red corn	432.9	69.2
Soya bean	42.0	38.7
Green beans	17.4	45.1
Cassava	1,265.0	34.4
Peanut	3.6	14.2
Sesame	6.5	23.9
Sweet potato	4.0	10.1
Mixed vegetable	15.8	06.0

Source: Ministry of Agriculture, Fishery and Forestry, Annual Report 2008-09.

Our agricultural base is expected to continue expanding, in part due to further investment in irrigation. This investment includes the \$64 million AFD/ADB Northwest Irrigation Sector Project.

Although around a third of the province is forested, land is still available for agriculture. Good land close to main roads and irrigated areas costs around \$20,000 per hectare (\$2/m²), while cheaper land is available for \$3,000 to \$5,000 per hectare. In Battambang town, land costs around \$100-600 per m².

3. Cambodia's Second Largest Market

Battambang town is Cambodia's second largest city, with a population of over 150,000.

The city bustles with a large and diverse service sector that supports trade with Thailand and the surrounding agricultural industries. A greater proportion of people work in the services sector in Battambang (37%) than any other province in Cambodia outside of Phnom Penh.

Seven commercial banks, plus the National Bank, have branches in the town, as well as a large number of microfinance institutions. Battambang accounts for 6% of MFI lending in Cambodia and 5% of depositors.

There are 4 hospitals in the province, plus 6 private health clinics and 75 district health centres.

A prosperous province, we have lower poverty levels than many other provinces. As a result, our population has income available for discretionary expenditure, making Battambang one of Cambodia's most burgeoning domestic markets. For example, 13 businesses produce bottled water in Battambang.

Another sign of the province's growth and potential as a local market is Japanese car giant Toyota's announcement that it will open a showroom in Battambang.

4. Labor Force – large, young, educated, inexpensive

Outside of the national capital, Battambang is one of Cambodia's most populous provinces. Our workforce is young, enthusiastic and educated. With over 43% of our 1.0 million people under the age of 18, this workforce will continue to grow.

Literacy and secondary school enrolment rates are among the highest in Cambodia. We have over 265,000 students attending our 551 primary schools and 104 secondary and post-secondary schools. There are further 38 private schools.

Educational Institution	Number
Kindergartens	134
Primary schools	551
Secondary schools	83
Post-secondary schools	21
Private schools	38
Universities	9
Teacher training colleges	2
Language training colleges	2
Vocational training institutes	3

Nine universities, 1 public and 8 private, operate in the province, plus two teacher training colleges and two language training centres. In addition, three vocational training institutes teach skills in auto mechanics, agricultural machinery, electricity and electronics, graphic design, hospitality and much more. Furthermore, Battambang is home to the famous Phare Ponleu Selpak art school.



Battambang University, a public university, has over 1,500 students studying bachelor and master degrees in the 2009 academic year.

Spending on primary education as a share of GDP has increased significantly in Cambodia in recent years, and is now on par with Thailand. Battambang is no exception to this. The government plans to continue increasing education spending.

Given our strong educational system, it is not surprising that Battambang's labor force is relatively developed with 45% employed in the industry and service sectors – the highest in Cambodia outside of Phnom Penh.

Unskilled labor in Battambang costs around \$50 to \$90 per month (plus food and accommodation in some cases). More skilled and experienced labor costs upwards of \$180 per month.

We take pride in having leading human resources to support our businesses and believe this is one of our strongest competitive advantages – let our people help grow your enterprise.

5. Competitive Electricity Supply

Battambang is well-served with inexpensive and reliable electricity. According to local businesses, blackouts are rare. This already ample supply is expected to increase over the next few years.

Battambang's adjacent location to Thailand provides us with a secure and inexpensive electricity supply. Three districts plus the town are supplied with electricity imported from Thailand. New transmission lines from the Thai border along National Road #5 to Battambang will soon be completed and will strengthen this supply.

Network coverage is being expanded with the construction of medium voltage transmission lines from the provincial town to supply the surrounding region within 40km, supported by a loan from the World Bank.

In addition, from 2012 Battambang will receive electricity generated by a new hydro-electric plant in Pursat. Around this time Battambang should also be connected to the enlarged Cambodian electricity grid.

Electricity in Battambang town currently costs 1,000 reil per kWh (around US\$0.25/kWh).

6. Tourism

Battambang town has become an increasingly popular destination for foreign tourists. There are many temples within the town, as well as wonderfully-preserved French colonial architecture, including the Provincial Hall, market, schools, and houses, many overlooking the scenic river.

The region surrounding the town includes many ancient temples from the late 10th and 11th centuries. These include, Ek Phnom, Sampov cave, Banan, Snoeung and Basaet. Beside these ancient temples, there are a total of 39 tourist sites including natural cultural sites, religious sites, historical sites, and cultural villages.

The 31,000-hectare Prek Toal Biosphere Reserve and Bird Sanctuary is one of the most important breeding grounds in south-east Asia for endangered large waterbirds. In addition, Kamping Poy is a recreational lake and dam that is popular with locals.

As a result, many new hotels and guesthouses have been built in Battambang in the last two years, the largest of which boasts 136 rooms, conference center, swimming pool and gymnasium.

“... an elegant riverside town, home to some of the best-preserved French period architecture in the country and to warm and friendly inhabitants. ... a great base from which to explore nearby temples and scenic villages.”

- Lonely Planet, Cambodia, 2007.

7. Untapped Natural Resources

Battambang has 585,550 hectares of forests, including the 333,750-hectare Phnom Somkos protected area (stretching into Pursat and Koh Kong), the 40,021-hectare Ror Neam Daun Sam wildlife sanctuary (shared with Banteay Meanchey), and the area of Samlote with 60,000 hectares of multiple-purpose forest including 16,250 hectares of the Tonle Sap Lake (shared with Pursat and Siem Reap).

While highly focused on ensuring sustainable use of our natural resources, Battambang offers significant mining potential. A number of valuable minerals exist in the region, including gold, iron ore, aluminium, phosphate, limestone and precious stones.

Major Economic Activity

Agriculture

As discussed above, Battambang has great agricultural potential based on our natural resources including fertile soils and irrigation systems, as well as our human resources.

In addition to crops, the province raises considerable livestock. According to the Department of Agriculture, in 2009 the province had 19 swine farms (with 5,622 head of pigs), 42 chicken farms (19,200 head), 16 chicken egg farms, 128 duck farms (170,500 head) and 8 cattle farms.

Battambang's annual fishing catch is around 6,000 tonnes, plus another 520 tonnes from aquaculture.

Industry and Services

Our success at supporting an active and vibrant business sector has made Battambang a leading destination for enterprises in the country. Between January 2008 and August 2009 there were many new business registrations in our province: 54 large and medium companies and 364 small businesses. In addition, 10 companies registered new local branches in Battambang.

Today, we are proud to have over 6,000 private enterprises operating in Battambang, including:



Activity	Number of enterprises
Rice milling	340
Brick manufacturing	39
Handicrafts (inc. metal)	88
Construction	20
Noodle manufacturing	13
Drinking water	13
Winery	1
Ice making	22
Fish production	3
Other food processing	15
Restaurants/food stalls	1,708
Repair shops	632
Professional services (including health)	113
Cotton processing	1
Animal feed	1
Other services	412
Wood processing	5
Ceramic hardware	7
Furniture manufacturing	17
Other manufacturing	74
Construction materials	38
Wholesale	17
Grocery retail	972
Other retail	1,805
Greenhouses/horticulture	57
Animal husbandry	26

Sources: Asia Foundation & IFC, Listing of Business Establishments in Cambodia's Provincial Towns and Selected Urban Areas, March 2009; local Departments.

Battambang currently is home to 340 rice mills. Our rice millers export to places like France, Thailand, Vietnam and Malaysia. They are also receiving enquiries from Africa, Europe, Hong Kong and Singapore.

Advances in technology and the increasing cost of gasoline have resulted in our entrepreneurs becoming more creative, switching from diesel engines to biomass energy (using rice husks as fuel). As of 2009, there are 12 biomass-powered rice mills.

A large processing factory is under construction in Battambang. The factory will process and package rice, maize, beans and other agricultural products and is expected to have a capacity of up to 30 tonnes per hour.

Battambang also has suppliers of animal feed, agricultural machinery and fertiliser, brick manufacturers, furniture makers and other small industrial operations.

Business Opportunities

Our province provides a myriad of opportunities for new businesses, as evidenced by the types of companies already operating here. We see significant opportunity for businesses to take advantage of our competitive strengths through further investment in:

Agriculture. We have abundant fertile land, farm labor, and supportive infrastructure. For example, a small area of forested land is available as a land concession to a suitable company that will invest in agriculture and agro-industry.

Agri-business, particularly food processing. We have significant scope to add value to our large and diverse agricultural output. Despite significant rice milling capacity, there is still scope for more with much of the paddy crop exported unprocessed. Local business people also believe good opportunities exist in the production of animal feed, fertiliser, cassava, maize, beans, fruit and fish (6,000 tonnes of fish are caught each year). One Korean investor has plans to invest in the processing of our corn.

Light manufacturing, including garments, supported by inexpensive labor, sound infrastructure, proximity to Thailand and supportive business environment.

Tourism, particularly eco- and agro-tourism. More and more tourists are coming to Cambodia each year, and more are visiting Battambang. Significantly improved roads have increased Battambang's appeal and accessibility. There are many opportunities, including high-standard modern restaurants.

Services, to support our growing agricultural and industrial base, as well as tourism. There is scope for a range of new business services.

There are good opportunities in the districts adjacent to Thailand, particularly as roads and electricity supply continue to improve.

Ongoing Developments

Although we are proud of our accomplishments, we continue to strengthen and improve our investment attractiveness. We remain active in building our business infrastructure and attracting leading businesses to our home. The provincial government of Battambang has prioritized the following activities to further strengthen the local business and investment environment:

- Develop roads and railway;
- Rebuild and develop irrigation systems;
- Encourage mineral exploration;
- Attract investment in agro-processing;
- Encourage modern machinery and techniques in farming;
- Develop eco-tourism; and
- Develop the Thai border area.

Other key developments underway include:

- The Royal Government of Cambodia's Diagnostic Trade Integration Strategy. Under this program, many of Battambang's products receive additional support. Products identified under this strategy include garments, footwear, light manufacturing, transport and tourism. Assistance includes trade facilitation and investment promotion, legal reforms, and the building of management capacity and local expertise.
- A number of development partners are aiding Battambang's private sector development in key industries:

Project	DP	Sector
Micro, Small and Medium Enterprise Program (USAID Cambodia MSME)	USAID	Clay tiles, aquaculture, swine, water & sanitation, honey, resin, garment sector, and tourism
Improving Understanding and Management of Rice Pathogens	ACIAR	Rice
Farming Systems Research for Crop Diversification in Cambodia	ACIAR	Non-rice upland crops
Cambodia Australia Agricultural Extension Project Phase II	AusAID	Agriculture
Agriculture Marketing Information Service (AMIS) Project	CIDA	Fruits & Vegetables
Northwest Irrigation Sector Project	AFD / ADB	Irrigation
Agriculture Development in Mine-Affected Area	ADMAC	Agriculture
Economic and Social Relaunch of Northwest Provinces Cambodia	ECOSORN	Socio-economic
Agriculture Marketing Information	JICA	Agriculture

Want to learn more?

For more information on investment opportunities and development in Battambang, please contact:

Battambang Provincial Hall
Phone/Fax: (+855) 53 952 141
www.battambang.gov.kh

Mr. Peang Narith
Secretary General of Provincial Hall
Province of Battambang
Phone +855 (0) 16 824 870, 92 909 870
narith_peang@gmail.com

Battambang Chamber of Commerce
+855 (0) 53 953 908
bcc@camshin.com.kh
www.investincambodia.com

The Council for the Development of Cambodia
Cambodian Investment Board

Tel: (855) 23 981 154
www.cambodiainvestment.gov.kh

National Institute of Statistics:
www.nis.gov.kh

National Ministries

Ministry of Commerce:
www.moc.gov.kh

Ministry of Economy & Finance:
www.mef.gov.kh

Ministry of Industry, Mines & Energy:
www.mine.gov.kh

Ministry of Labor and Vocational training:
www.mlv.gov.kh

Ministry of Land management, Urban Planning & Construction:
www.mlmpc.gov.kh

Ministry of Posts & Telecommunication:
www.mptc.gov.kh

Ministry of Public Works & Transport:
www.mpwt.gov.kh

Ministry of Tourism:
www.mot.gov.kh

Ministry of Agriculture, Forestry and Fishery:
www.maff.gov.kh

Other

Garment Manufacturers Association of Cambodia
www.gmac-cambodia.org

The Government-Private Sector Forum:
www.cambodia-gpsf.org

Phnom Penh Chamber of Commerce:
www.ppcc.org.kh

Battambang at a glance	
Population: (Census 2008)	1,025,174
Aged 15-64:	57%
Proportion working in Agriculture:	90%
Provincial poverty ranking:	8/24
Land area:	11,748 km ²
Population density: % of National Average	88 persons/km ² 116%
Number of Districts/town:	1 town and 13 districts
Number of Communes/Sangkat:	86 Communes and 10 Sangkats

Battambang's soils
Type: lacustrine alluvial soils in regions closer to Tonle Sap lake, mostly brown hydromorphic elsewhere, but also basic lithosols, plinthite podzols and grey hydromorphics.
Fertility level: High

Cambodia Tax Rates		
Profit tax	normal	20%
	incentive rate	0% or 9%
Minimum tax		1% of turnover
Withholding tax		15%
Income from property rental		10%
Payment to non-residents		14%
Tax on salary (riel per month)		
0-500,000		0%
500,001-1,250,000		5%
1,250,001-8,500,000		10%
8,500,001-12,500,000		15%
12,500,001 +		20%
Non-residents	flat rate	20%
Fringe benefits tax		20%
Value added tax		10%
	exports	
Property transfer tax		4%

Cambodian macroeconomic data	2005	2006	2007	2008
Real GDP growth (%)	13.5	10.8	9.6	5.5
Exports growth (%)	12.4	26.9	10.7	8.8
Exports (% GDP)	64.2	68.0	66.7	68.8
FDI (\$m)	375	475	867	790
FDI (% GDP)	6.0	6.5	6.9	6.0

Business costs	
Land	Salea (per sq.m)
Phnom Penh	\$350-\$2,000
Commercial land	\$30-\$200
Other area	\$4-\$50
Rural	\$0.50-\$5
Office space	Rent per month
Prime	\$9-11/sq.m
Secondary	\$6-8/sq.m
Factory rental	\$1.50-\$2.50/sq.m per month
Warehouse rental	\$1.00-\$2.50/sq.m per month

Electricity tariffs in Phnom Penh (excl. SEZs)		
Industrial	kWh/month	Tariff (riel/kWh)
	<45,000	600
	45,000-130,000	550
	>130,000	500
	Medium voltage	480
Commercial	<45,000	650
	45,000-130,000	600
	>130,000	500
	Medium voltage	480

Industrial gas supply	\$0.32/kg
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Labour costs	Salary, \$ per month
Senior Manager	1,000-1,500
Middle Manager	500-1,000
Entry level Manager	240-400
Accountant	250-400
Secretary	120-150
Office clerk	100-120
Driver	100-120
Janitor	50-80
Laborer	50-80
Garment worker minimum wage	55

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